Daily Real Estate INTERNATIONAL

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Newsletter of Tuesday February 05, 2008

Dear Sirs,
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Press Review

Orlando, FL to be site of the first World Trade Center in Southeast

Skyrise Development Group, a multi-faceted South Florida-based owner, received final site approval from the Orlando City Council to build World Trade Center Orlando (WTCOR), a $200 million International Commerce Center.
Construction is scheduled for this year on World Trade Center Orlando, according to David Houri, president of Skyrise Development Group, developer of the twin tower project that will dominate the skyline of this Central Florida city. World Trade Center Orlando is a member of the World Trade Centers Association (WTCA), a global organization that connects its members to over 300 cities and 90 countries around the world. More than 750,000 companies are affiliated with WTCA, a world leader in creating innovative services for international business.

The downtown Orlando project will consist of two multi-use towers on a single base, one 25 stories, the other 28 stories, with over 500,000 sq. ft. zoned for commercial mixed use including Class A office with executive suites, retail, banking, restaurants and a health club. The buildings will be LEED and Energy Star certified with advanced "green friendly" technology. Tenants will enjoy a Real Time Location System that coordinates elevators to the correct floor, and turns on air conditioning, lights and other niceties when their car accesses the garage.

“Site approval is a significant milestone for such a complex project as this and one with such a unique concept that will be brought to Orlando, one with so many entities involved including World Trade Centers Association (WTCA) and U.S. Green Building Council (USGBC) for LEED certification. We knew we were on the right path; approval lets us go full steam ahead.” Strategically positioned in the center of Florida and the gateway to the Americas, the Orlando region offers strong attraction for a wide variety of corporate headquarters. Leasing is already underway on World Trade Center Orlando according to Byron Sutton, CEO and director of the project's leasing program. "We anticipate that all elements of trade and trade related enterprises will be represented in the WTC Orlando complex. Rental rate on office space is currently in the mid-20s for a net lease, with availability for a bank with drive-thru lanes, and a variety of restaurant sites. Our marketing efforts are world wide. We are working with real estate brokers from many different countries," notes Sutton. Orlando where business opportunities and international corporate activities synchronized with verv and vigor round the year has globally known for hosting tourists across the world. Orlando- the city of business potential in central Florida boasts its first ever magnificent commercial building- The World Trade Center in south eastern U.S. The World Trade Center is one of the chains of WTCA across the world with its landmark identity to promote commercial real estate scenario in Florida. The WTC is strategically spotted commercial building at South Ivanhoe Blvd. offers well developed and designed floor plans for class A office, executive suites, world class restaurant, health club and pant house with all essential business accommodation that suit your international business opportunities. World Trade Center Orlando will be built at 68 S. Ivanhoe Blvd., a high-exposure site on waterfront in downtown.
For more information, call (407) 404-5000 or visit www.worldtradecenterorlando.org on the Web.

Reports & Studies

Saint-Petersburg Property Market Update Q4 2007

Saint-Petersburg Property Market Update Q4 2007

Attachment 1

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Brussels Office Market Report 2008

Brussels Office Market Report 2008

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UK Central London Offices Q4 2007

UK Central London Offices Q4 2007

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United Kingdom

Pub firm Punch proposes M&B merger

(Reuters) – Punch Taverns (PUB.L: Quote, Profile, Research) unveiled a plan on Monday to merge with troubled rival Mitchells & Butlers (MAB.L: Quote, Profile, Research) to create a 3.7-billion-pound ($7.3 billion) giant that would own one in six pubs in England and Wales.

Under the offer, both sets of shareholders would own 50 percent of the combined company with M&B shareholders also receiving 175 million pounds in cash.

The proposal would create Britain's biggest pub landlord by far with around 10,500 of the 60,000 or so pubs in England and Wales. It would also bring the bulk of the pubs once owned by former British brewing giants Allied, Bass, Courage, Watneys and Scottish and Newcastle (SN.L: Quote, Profile, Research) under one roof.

Punch's Chief Executive Giles Thorley would head the new group, its Finance Director Phil Dutton would remain as finance chief and M&B's CEO Tim Clarke would be made non-executive chairman.

Including the debt of both firms, analysts calculated the new group would be worth around 11 billion pounds and benefit from savings of between 30 million to 90 million pounds.

M&B, which owns Harvester, Vintage Inns and All Bar One, said it was considering Punch's approach along with others it has received since effectively putting itself up for sale last week.

The firm is embarking on a strategic review after capping post-tax, hedge-related losses on a failed 4.5 billion property spin off at 274 million pounds.

M&B shares rose more than 5 percent in opening trading while Punch shares dropped 5 percent to 475.5 pence—making its offer less attractive in the process.

PROFITABLE EXIT

Analysts said the deal made sense financially but could face a big hurdle in the shape of out-of-pocket M&B shareholders.

"This is 1) confirmation of a long standing suggestion, 2) pretty sensible, 3) deliverable and quick but 4) does not offer what M&B's shareholders most want – namely a profitable exit." said BlueOar analyst Mark Brumby.

At least 60 percent of M&B shareholders bought into the stock in the last year in the hope of cashing in on the property spin off, Tim Clarke told reporters last week.

In the last seven months they have seen M&B's value halve as the firm's property deal collapsed and pubgoer spending worries hit pub stocks.

Controlling almost a quarter of M&B shares and having previously offered 550 pence a share for the O'Neills and Toby Carvery operator, property tycoon Robert Tchenguiz is likely to be a key factor in the success of the proposed deal.

Analysts say Tchenguiz may make another bid for M&B but point out that the ongoing paralysis of the debt markets could rule out equity rich bids.

"R20 (Tchenguiz's investment firm) could inject its poorly performing Laurel Pub Co into M&B, and it has a head start with 23.1 percent of the shares. However, everyone will need the debt markets open – so who knows when an actual bid may come?" questioned analysts at Deutsche Bank.

They said that Costa Coffee and Premier Inn owner Whitbread (WTB.L: Quote, Profile, Research) could also be a potential suitor, while smaller pub rivals Greene King (GNK.L: Quote, Profile, Research), Marston's (MARS.L: Quote, Profile, Research), although likely to be interested, may not have enough muscle to put together a bid.

M & B and Punch polarised by merger plan

(Reuters) -Mitchells & Butlers (MAB.L: Quote, Profile, Research) shares add 3.8 percent after larger rival Punch (PUB.L: Quote, Profile, Research) outlines a blueprint to merge the two pub firms through a largely share-based deal.

However Punch shares drop around 5.6 percent as analysts fret that a deal would be dilutive for Punch and question whether M&B shareholders would accept such a plan.

“On a headline price/earning basis, we estimate that this would be around 15-20 percent dilutive to Punch holders given the lower gearing in M&B and higher depreciation charge in managed pubs businesses,” say analysts at Investec

“Effectively, the proposal values M&B at around 505p per share.” they say, adding that the firm rejected a 550 pence approach from major shareholder, Robert Tchenguiz, less than two years ago.

Birmingham to get first five-star hotel

(ANSA)Birmingham is soon to get the first five-star hotel. It will be part of the Snowhill complex that the British construction company Ballymore is developing in the heart of the city. The hotel will have 198 rooms and will occupy a 23-storey tower that looks over the Cathedral of St. Chad. It will be managed by Startwood Hotels & Resorts under the brand Westin Hotel & Spa: it is scheduled to open in 2010.
The Snowhill is the largest and most important poly-functional complex in Birmingham. Once completed it will include a 93,000 square metres business centre. The area will also have the tallest tower in the city that will develop on 44-floors; there will be two office buildings with a total surface area of 55,500square metres, as well as shops, restaurants, bars and squares.
Starwood Hotels & Resort is one of the world’s leading hotel management chains that operates via a number of brands, including St. Regis, W Hotel and Sheraton. The group has 890 hotels around the world with a total of 266,000 rooms.

CB Richard Ellis Group, Inc. acquires Paul Gee & Co Limited

CB Richard Ellis Group, Inc. announced the acquisition of Paul Gee & Co. Ltd, a privately-owned commercial property services company based in Aberdeen, Scotland. The acquisition will enable CB Richard Ellis to expand its leadership position in Scotland by combining Paul Gee & Co with CB Richard Ellis’ existing operations in Edinburgh and Glasgow.
Paul Gee established Paul Gee & Co 27 years ago, and since that time the firm has developed a strong market position in investment and property consultancy in Aberdeen and throughout Scotland and has an impressive client portfolio. Aberdeen is Scotland’s fastest-growing and third-largest business centre, and houses a significant number of multi-national energy corporations, with which Paul Gee & Co has strong relationships.

Martin Samworth, UK Managing Director, CB Richard Ellis, said: “This acquisition enhances our capabilities in Scotland and reinforces our brand positioning as the premier firm for client service and market insight across the entire UK region. We are now a leading player in Scotland capable of delivering high quality expertise and advice wherever our clients’ business interests may be.”

Paul Gee, Managing Director at Paul Gee & Co, said: “We are extremely excited to be joining forces with CB Richard Ellis. The company’s global platform and strength in the marketplace will give us an excellent opportunity to grow our position both in Scotland and internationally. Our clients will benefit enormously from this merger.”

Germany

China set for $20bln Germany property spree-report

(Reuters) – A Chinese institution, possibly China Investment Corp, plans to invest up to 20 billion euros ($29.73 billion) in German commercial property, a trade magazine said on Friday, citing an unnamed German funds source.

Property Finance Europe said the real estate fund manager told it at a Frankfurt conference this week that his company had a meeting scheduled in the next few days with a Chinese “sovereign or semi-public fund” on how best to invest in the market.

The China Investment Corp could not be immediately reached for comment and neither could several German property fund managers, including two who spoke at the conference

Mood in German property market upbeat - survey

(Reuters) – The mood in Germany’s real estate market is upbeat although investment in property is likely to decline in coming months, a survey showed on Monday.

A poll carried out in January for real estate consultancy King Sturge showed German property market players expected good returns for rented real estate, though less buying activity.

The January property sentiment index registered a positive value of 110.1. Sentiment is deemed to be neutral at 100.0.

The gauge of morale is composed of two sub-indices. One, measuring the “returns climate”, posted a reading of 130.7.

“This means user demand for new office, commercial or residential space and the corresponding rent developments are being assessed positively,” King Sturge said.

The other, assessing the “investment climate”, was at 90.9.

“This indicator shows the majority of respondents believe demand on the investment market will fall, and that purchase prices will decline,” it added.

The index was based on a poll of around 1,000 property market experts conducted between Jan. 21-25.

China Sovereign Fund targeting €20 bln. in German commercial property

A Chinese investment fund has contacted major professional real estate managers with a view to investing as much as €20 bln. in German commercial property.
A real estate fund manager told PFE at the CIMMIT conference in Frankfurt this week that his company has a meeting scheduled in the next few days to discuss how to do this. He did not name the Chinese institutional investor but said it is a sovereign or semi-public fund. Asked how much the Chinese want to invest, the manager said, “20 – and we are not talking million.”

The target asset is all German commercial property, no residential. At the moment there is no indication that the Chinese fund is yet seeking real estate assets outside Germany in Europe.

The Chinese have set up a holding company in Switzerland as a platform to invest in Europe but are also considering the alternative of providing equity directly to one or more investment managers. The fund seems to be directly contacting Frankfurt asset and fund managers rather than working through large London firms - although an investment of this size is likely to be deployed via a number of different intermediaries

France

France, Commerz Real sells offices for 50 million euros

(ANSA)The German company Commerz Real has sold an office complex in Lyon for close to 50 million euros to Zublin Immobiliere France, a subsidiary of Zublin Immobilien Holding. The fully rented complex, constructed in 1993 and known as ‘Le Danica’, is located in city’s business district and includes three buildings with a total surface area of 15,500 square metres and a parking lot that can accommodate up to 435 cars.
Commerz Real currently manages assets worth approximately 44 billion euros. Zubin Immobiliere France owns seven office complexes (some in Paris, others in Lyon) worth a total of 388 million euros. The company, whose focus is on investing in commercial real estate (offices, stores and logistical property), is aiming for a portfolio of assets worth a total of 500 million euros.

Italy

Loan crisis and tight budgets affect real estate sector

The Italian real estate sector is in good health in spite of what seems to be a slowdown compared to the course seen over the last ten years. The business has been hit by tight family budgets (many Italian families run out of cash between pay checks), increasing debt, decreasing savings and the international mortgage crisis. A report by Eurispes, a Rome-based think-tank, points out the slow down in the sector’s cycle of expansion resulting in sales proceeds increasing 5% in 2007 and an overall turnover of 180 billion euros (the comprehensive increase in last ten years was reported as 85.4%). In 2007 the sector was affected by due two opposing factors; the decreasing demand for new housing and on the increasing demand for home renovations.
Particularly positive for existing housing sales, the ‘first home’ sector is behind most of the business in southern Italy. The stall in investments in new housing, according to the Eurispes research, and the 1.8% increase in requests for renovations brings the level of increased overall investments in residential real estate to 0.9%. The market for previously owned property is looking up and the report states that, of the twenty five real estate investment experts interpolated, 38% thought that demand would increase in 2008 while only 21% thought it would drop off.
As far as private investment in non-residential real estate, Eurispes predicts a 3.5% increase in 2008 compared to 2007 (which registered more than 41 billion euros in value and 1.1% in real terms). During the last decade the Italian construction industry has witnessed the longest period of sustained growth since 1970. The new century started with the sector in full expansion, with the housing division

accounting for the largest amount of growth. Renovation work on existing housing stock started to increase in 1998 and starting in 1999, new housing, in tandem with non-residential building construction, suffered a three year drop followed by an upswing in 2006.

Non-residential civil construction projects took an upturn starting in 1997.
Eurispes finishes by stating that the construction sector is still limping along, for the first time falling to a slower growth rate than the GNP, mostly due to the drop off in civil projects and the stasis in new home building. The slowdown can also be attributed to the substantial reduction in purchasing power. Only a little more than one third of Italian families (38.2%) can make it to the end of the month on their present salaries, and the percentage of families applying for personal loans has doubled (rising from 5% to 10%). In one year the economic situation of the average family has gotten much worse and people are being forced to saddle themselves with even more debt. In the first quarter of 2007 personal loans increased 9.9% compared to the same period in 2006. Although mostly burdened by their mortgage payments, the percentage of consumer debt has seen the highest increase (+17.6%). The impact of the subprime crisis on the national economy has augmented the problem with rising rate resulting in increased monthly mortgage payments. The high risk home mortgage crisis, concludes Eurispes, has undermined one of the pillars of the country’s economy, financial stability.

Spain

Colonial climbs on possible Dubai bid

(Reuters) -Shares in Inmobiliaria Colonial (COL.MC: Quote, Profile, Research) open almost 13 percent higher after the Investment Corporation of Dubai (ICD) says the main two shareholders in the troubled Spanish property firm have agreed to sell if the Dubai fund launches a takeover bid.

At 0828 GMT, Colonial is 9.7 percent higher at 1.69 euros.

Website www.cotizalia.es reports that ICD does not want to pay more than 2.1 euros a share for Colonial while the two main shareholders, who own about 52 percent of the company, want 2.4 euros a share.

Spanish house prices fall 1 pct in Jan-Facilisimo

(Reuters) – Spanish house prices fell 1 percent in January, meaning they have now dropped 3.1 percent since their peak in July, data from property website Facilisimo.com showed on Monday.

Prices in the popular holiday destination of Andalusia, which was one of the hottest spots during Spain’s housing boom, fell by 2.5 percent during the first month of the year, according to Facilisimo.com.

It was the latest in a stream of grim economic data from Spain, where a tripling in house prices since the mid-1990s was matched by soaring private sector debt.

House prices have fallen by 1.6 percent over the last 12 months, according to Facilisimo.com.

The Socialist government, which faces national elections on March 9, has said it expects house price inflation to slow but not turn negative.

The most recent government data showed house prices up 4.8 percent year-on-year in the fourth quarter, although this was the lowest rate of increase in nearly a decade.

GE Quits Colonial Bidding War: Report

General Electric's GE Real Estate Iberia is out of the competition for Colonial, according to a Reuters News report. Shares of the troubled Spanish firm sank lower on the news. GE claimed it could not get access to the accounts, despite earlier news that Colonial management would open its books. GE announced that it was not interested in further due diligence on the deal, the agency reported.

United States

JPMorgan does green HQ revamp, 10 floors at a time

(Reuters) – For an example of JPMorgan Chase & Co Inc’s (JPM.N: Quote, Profile, Research) green ambitions, look no further than the bank’s massive corporate home improvement project.

By gutting its global headquarters at 270 Park Avenue in Manhattan, JPMorgan aims to transform a nearly half-century-old skyscraper into a shining example of environmentally conscious redevelopment.

But since the bank isn’t starting from scratch, its project is different than Bank of America Corp’s (BAC.N: Quote, Profile, Research) heralded plan to build a $1 billion-plus green skyscraper near Times Square.

JPMorgan also wants to transform its 50-story building from the inside out without disrupting most of its headquarters operations, executives said. Plus, when all the dust is settled, it expects it to be just as green as BofA's building.

So JPMorgan is overhauling it 10 floors at a time. Construction crews, not executives, now occupy the top floors.

They have ripped out everything; the dark wood paneling and floors, and asbestos too. All that remains are exposed girders, bare concrete, and great views of midtown Manhattan.

"This place is old and tired. You have to do something," JPMorgan Chief Administrative Officer Frank Bisignano said.

The renovated building will let in more sunlight, rooftop vegetation will reduce heat and drains will collect rain water. The water, stored in a 55,000-gallon tank in the basement, will be used to flush toilets, among other conservation steps.

The prestigious address can't conceal the fact that the building is an energy hog, like most U.S. office buildings that are decades old. But its energy consumption could be cut by up to 30 percent with the more efficient lighting and heating and cooling systems JPMorgan plans to install, executives said.

And no longer will some workers sit at their desks with shawls over their laps or make use of contraband space heaters to combat balky heating and cooling systems.

The bank's ultimate goal: platinum certification of the building under the Leadership in Energy and Environmental Design (LEED) rating system. Platinum is the highest rating.

"Major renovations of this magnitude are rare and achieving LEED platinum on the project will be a substantial achievement for JPMorgan," said Marc Heisterkamp, a market development manager at the U.S. Green Building Council, developer of LEED.

If accomplished, it would make JPMorgan's headquarters one of the largest LEED-platinum-certified conversions of an existing commercial building in the world, Heisterkamp said.

It won't be easy. For example, the core infrastructure and shell of the building can't change. On the other hand, Grand Central trains and subways deposit thousands of JPMorgan employees daily at its doorstep, which should earn the building a precious platinum point for public transportation access.

DETAILS FOR DIMON

Chief Executive Jamie Dimon is counting on Bisignano and other executives to keep the multiyear project on track. The budget, which the bank declined to disclose, could easily top $200 million, according to construction industry estimates.

John Delaney, head of JPMorgan's business credit card unit, said Dimon wants executives to know operational minutiae. A business review with Dimon isn't stressful if they know them.

"It's no problem as long as your teeth are firmly in your gums," Delaney joked, adding that Dimon often reminds executives that "Aggregate data is deceptive."

But Bisignano, a former University of Kansas football player whose trapezius muscles still ripple, is well known inside the bank for holding the line on costs.

After the renovation, executives will have smaller offices, while clients will have better places to dine and do business.

At the end of 2006, JPMorgan reported owning or leasing nearly 11 million square feet of commercial and retail space in New York City. Part of Bisignano's job is to put its employees in the most cost effective place to generate the most revenue.

Bisignano feels the headquarters' 1.3 million square feet of space is "sub-optimized," and that the renovation will allow the bank to add about one-third more people to its capacity.

"You lead by example if you want to be a powerhouse bank in this town," he said.

UBS facing U.S. subprime banking investigations - WSJ

(Reuters) – U.S. government prosecutors are investigating whether Swiss banking giant UBS (UBSN.VX: Quote, Profile, Research) misled investors by reporting inflated prices of mortgage-backed securities it held despite knowing those valuations had eroded, the Wall Street

Journal said on Saturday.

The Journal, quoting unnamed sources familiar with the probe, said the investigation by the U.S. Attorney for the Eastern District of New York had not yet issued subpoenas.

But the sources noted that the New York prosecutors work closely with the U.S. Securities and Exchange Commission. The SEC recently expanded its own probes of both UBS and Merrill Lynch and Co Inc (MER.N: Quote, Profile, Research) pricing of mortgage securities, a move which empowers the SEC to issue subpoenas, they said.

UBS was not immediately available for comment. A Merrill Lynch spokesman had no comment.

UBS, Europe's hardest-hit bank from the credit crisis, last week raised its subprime write-downs to $18.4 billion.

On Friday, the bank also urged its shareholders to dismiss a plan from some dissenting shareholders demanding an external probe into the bank's subprime woes.

The U.S. Justice Department on Wednesday said it was looking into whether fraud occurred in the packaging and selling of complicated mortgage securities like collateralized debt obligations (CDOs), the Journal said.

The Federal Bureau of Investigation is looking at 14 unnamed companies in that probe, the agency said.

On Friday, the top securities regulator in Massachusetts filed a civil complaint against Merrill Lynch, accusing the brokerage of selling unsuitable subprime mortgage-related securities to the city of Springfield.

Massachusetts Secretary William Galvin seeks to take away Merrill's profits from a transaction in which it sold CDOs to the city. Merrill invested about $14 million of the city's money in CDOs last year, only to see most of the value erased.

Separately, the city of Springfield said on Thursday that Merrill had agreed to pay it $13.9 million after determining the city had not approved the purchase of the CDOs.

UBS remains under fire at home. Shareholder advocacy group Ethos in December called for more clarity from UBS over its subprime losses, urging an independent probe.

But UBS on Friday said there was no need for a separate investigation given that the country's EBK banking watchdog was already probing the reasons which led to its losses.

UBS last week stunned investors with its third round of subprime write-downs. It reported heavy fourth-quarter losses and a total 2007 net loss of 4.4 billion Swiss francs ($4.07 billion).

U.S. Treasury: If U.S. slows impact will be global

(Reuters) – A senior U.S. Treasury Department official said on Friday there was no question the global economy would feel the impact of a U.S. slowdown, despite the cushion provided by rapidly growing emerging markets.

David McCormick, under secretary for international affairs, said in an interview with Reuters that it was hard to imagine how the rest of the world would escape the impact.

There has been debate whether overseas economies could effectively "decouple" from a U.S. economy that is showing clear signs of losing steam and maintain their own momentum by shifting their trade proportionately toward fast-growing emerging economies like China, India and Brazil.

McCormick, Treasury's top international diplomat, had little time for the theory.

"To buy into the decoupling argument, one has to believe that the sources we see in terms of slowing growth in the U.S. —which is the housing market, subprime and credit market issues, as well as commodity prices—that they exist only in the U.S., which I don't think is true," McCormick said.

He said the U.S. economy accounts for about 20 percent of the global economy and 30 percent of demand for imports.

"Certainly the demand from emerging markets will offset some of that decline in growth in the U.S. but…if the biggest economy on the globe slows down then others will be affected somewhat," he added. "So it seems to me to be a silly argument. ... What will certainly happen is that other economies will be affected and the only question is by how much."

SCALING BACK GROWTH

Earlier this week, the International Monetary Fund said it was scaling back its forecasts for 2008 growth and it, too, said there will be an inevitable drag on other countries from the problems in U.S. subprime mortgage markets.

The IMF reduced its U.S. growth forecast for this year by 0.4 percentage point to 1.5 percent and lowered the euro-zone projection by 0.5 percentage point to 1.6 percent.

It said the global economy will grow by 4.1 percent this year, down from an earlier estimate of 4.4 percent but still relatively healthy because China and other emerging powers still are expanding at a healthy pace.

McCormick paid tribute to the rising impact that emerging markets have on the global economy and their role in bolstering growth.

“It’s a matter of math to simply say the global economy is less dependent on the U.S. economy to be a driver of growth, that’s a truism,” he said, but because the global economy is increasingly integrated a U.S. slowdown will inevitably be transmitted through the whole system.

Finance chiefs from the Group of Seven industrial nations meet in Tokyo on Feb. 9 to discuss global economic conditions, and McCormick said there have been extensive discussions between them in recent months.

LOTS OF TALKING

“There’s two channels of communication that are under way and they’ve been particularly active in the past six months,” he said. “On the formal side you have the G7, the G20 … and the Financial Stability Forum, which has really taken on life and mission and importance in this particular instance.”

But McCormick added “the informal channel also has been particularly active during this time,” including one that he said Treasury Secretary Henry Paulson maintains through constant telephone contact with counterparts around the world.

On other issues, McCormick said China was allowing faster appreciation of its yuan currency—as U.S. manufacturers and lawmakers insist it must or face punitive legislation—and deserved some recognition for doing so from Congress.

McCormick said the faster move can be seen in the yuan’s faster appreciation relative to the dollar and in its rise in value against a trade-weighted basket of major currencies.

“We certainly don’t mean to suggest that we think China has moved sufficiently in terms of achieving a market-based currency,” he said. “We still want to encourage them to move faster in that direction but I think it’s important to acknowledge there has been recent progress.”

Treasury is trying to tamp down some of what it sees as protectionist pressures in Congress, where some lawmakers are threatening to propose measures that would curb Chinese imports unless the Asian export giant agrees to let its currency’s value accelerate more rapidly against the dollar.

Icahn has amassed a large stake in J.C. Penney-WSJ

(Reuters) – Billionaire investor Carl Icahn has quietly amassed a large stake in department store operator J.C. Penney Co Inc (JCP.N: Quote, Profile, Research), The Wall Street Journal reported on Friday, citing people familiar with the matter.

The article said that while the exact size of the stake is unclear, one person said it is among Icahn’s top five holdings.

Icahn could not be reached for an immediate for comment. J.C. Penney said it does not comment on rumors or speculation.

Icahn, a veteran investor, regularly takes large stakes in companies and then agitates for change. He has recently been active in pushing for changes at Biogen Idec (BIIB.O: Quote, Profile, Research) and Motorola Inc (MOT.N: Quote, Profile, Research), and in January was named nonexecutive chairman of auto parts supplier Federal Mogul (FEMO.PK: Quote, Profile, Research), which emerged from Chapter 11 bankruptcy late last year.

“I said generally the retailers—when they were down a couple of weeks ago really badly—were interesting,” Icahn said in a Friday interview on CNBC. He declined to comment to CNBC whether he owned shares of J.C. Penney.

J.C. Penney Chief Executive Officer Myron Ullman has been leading a turnaround at the mid-tier department store operator, filling its stores with more fashionable merchandise and striking deals with designers to offer exclusive products.

But its shares have fallen roughly 20 percent in the past year as its core middle-income shoppers have been squeezed by the deteriorating

U.S. housing market, high energy prices, rising food costs, and turbulence in the credit market.

Its December sales at department stores open at least a year fell 7.5 percent, and the company has warned that fourth-quarter earnings will be at the lower end of its previous forecast of $1.65 to $1.80 per share.

J.C. Penney shares rose $1.09, or 2.3 percent, to $48.50 on the New York Stock Exchange.

Dozens of U.S. banks will fail by 2010

(Reuters) – Dozens of U.S. banks will fail in the next two years as losses from soured loans mount and regulators crack down on lenders that take too much risk, especially in real estate and construction, an analyst said.

The surge would follow a placid 3-1/2 year period in which just four banks collapsed, all in the last year, RBC Capital Markets analyst Gerard Cassidy said in a Friday interview.

Between 50 and 150 U.S. banks - as many as one in 57 - could fail by early 2010, mostly those with no more than a couple of billion dollars of assets, Cassidy said. That rate of failure would be the highest in at least 15 years, or since the winding down of the savings-and-loan debacle.

“The initial round of failures will come from smaller banks with limited access to capital and overexposure to commercial real estate,” Cassidy said.

“Could banks with $75 billion or $100 billion of assets fail? That’s hard to say, but it depends on the severity of the economic downturn and the real estate decline,” he added.

Banks are under pressure as a slowing economy, the housing crunch, weak job growth and rising energy costs make it harder for individuals and businesses to pay their bills.

Compounding the problem has been the seizing up of capital markets that has led to more than $130 billion of write-downs worldwide, including at lenders such as Citigroup Inc (C.N: Quote, Profile, Research), Bank of America Corp (BAC.N: Quote, Profile, Research) and Washington Mutual Inc (WM.N: Quote, Profile, Research).

On Wednesday, Standard & Poor’s said financial industry losses linked to mortgages may reach more than $265 billion.

Analyst Tanya Azarchs expects the pain to spread to regional banks, and especially “some of the smaller players that have yet to feel the full extent” of the credit crunch.

Cassidy said: “The regulatory focus is now acutely on commercial real estate. The problems are centered around construction loans in residential housing. Home prices and sales are declining. This leaves builders unable to carry the debt they took on because they can’t sell their homes.”

RESERVES MAY GROW, MERGERS MAY NOT

There are 8,553 banking institutions insured by the Federal Deposit Insurance Corp. Of these, 7,285 are commercial banks, 1,257 are thrifts and 11 are U.S. branches of foreign banks.

Twenty-six banks have failed since the last U.S. recession began in March 2001, the FDIC said.

The latest came last week, when Douglass National Bank of Kansas City, Missouri collapsed. Liberty Bank & Trust Co of New Orleans took over its $53.8 million of deposits. FDIC-insured institutions have about $8.19 trillion of deposits overall.

Cassidy expects the bank failure rate to be the worst since at least 1993, when 50 banks collapsed. That followed more than 2,000 failures in the previous decade, according to FDIC data.

Still, that pales in comparison with the more than 9,000 bank failures from 1930-1933, during the Great Depression, Federal Reserve data show.

A top U.S. bank regulator, Comptroller of the Currency John Dugan, said on Thursday that his office was prepared to intervene if banks with large real estate exposure maintained unreasonably low reserves for bad loans.

A tough credit and regulatory environment may make it hard for struggling banks to find suitors, Cassidy said.

On Thursday, Midwest banks Integra Bank Corp (IBNK.O: Quote, Profile, Research) and Peoples Community Bancorp Inc (PCBI.O:

Quote, Profile, Research) called off their merger.

Integra Chief Executive Mike Vea lamented that the housing crunch “fundamentally changed the attitudes of the stock market, industry experts and regulators toward mergers.”

Cassidy said: “Sellers are not going to receive the premiums they think they deserve. Merger activity is going to slow until the down leg in the credit cycle is past.”

Ambac still eyeing 'credible' parties for capital

(Reuters) – Ambac Financial Group Inc (ABK.N: Quote, Profile, Research), a big bond insurer struck by the global credit crunch, is still talking about its capital position with “credible parties,” a managing director at the company said on Sunday.

Ambac is the subject of a rescue plan by investment banks seeking ways to shore up insurers’ capital which has been weakened by downgrades of mortgage-related securities, two people briefed on the talks told Reuters on Friday. Lower values on the securities have increased insurers’ financial responsibility and threatened their top-notch “AAA” ratings needed to reassure investors of the quality of their support.

“We are committed to a triple-A rating,” Paul Burke, Ambac’s head of fixed-income investor relations told Reuters at a meeting of the American Securitization Forum in Las Vegas. He said he was reiterating what the company said last month.

Ambac Chief Executive Officer Michael Callen on Jan. 22 said the company was looking at other ways to raise capital after he shelved a planned $1 billion offering of equity or convertible securities due to market conditions. Callen spoke after the company reported the $5.2 billion pre-tax write-down for the fourth quarter.

Burke’s address about the development of markets for securitizations around the world helped kick off the ASF meeting of about 6,000 Wall Street dealers and bond investors trying to preserve a huge part of the bond market thrown into a tailspin by soaring defaults on U.S. mortgages.

Dealers are credited with boosting homeownership through the process of securitization - packaging loans into bonds - but also the excesses that are now deepening the downturn in U.S. housing. Ambac and other insurers grew their businesses during the housing boom by providing a form of insurance for structured securities, and now guarantee more than $2.4 trillion in debt.

The group of banks has no definite time horizon for crafting a plan for Ambac.

But U.S. securitizations may see life later this year once investors begin “to see the light at the end of the tunnel” in the current mortgage crisis, Burke said, adding that the forecast was his own and not an official Ambac position.

Many economists expect U.S. home prices will continue to fall through 2008, reducing the equity some homeowners need to avoid foreclosure. Government-supported moves to stem the tide of foreclosures and lower interest rates may help accelerate the revival of securitizations in the U.S., Burke said.

The market for securitized assets - of which mortgages play the biggest role - shrank last year to $1.7 trillion from about $2 trillion in 2006 as the credit crunch set in, Burke said. It was the first time volume for the market has ever declined, he said.

U.S. securitizations made up 55 percent of the market in 2007 compared with two-thirds in 2006, he added.

In U.S. foreclosure capital, few see election help

(Reuters) – Stockton, California, may be the foreclosure capital of the United States, but that is not influencing how residents like Michelle Encinias who are losing their homes will vote on “Super Tuesday.”

Encinias recently cast a mail ballot for Sen. Hillary Clinton, but has little faith that the New York Democrat or other presidential candidates can do much about foreclosures if they make it to the White House.

“They’re just going to say what we want to hear,” Encinias, who has two children, said during an interview in her four-bedroom home in a middle-class neighborhood in Stockton.

California ranks second in the nation for foreclosure filings. Stockton posted one foreclosure for every 31 households in the third quarter of 2007, the highest foreclosure rate among the 100 largest U.S. metropolitan areas in that period, according to real estate data company RealtyTrac.

California and more than 20 other states hold primaries and caucuses to nominate Democratic and Republican candidates for the November presidential election. California, the most populous state, is the biggest prize on Super Tuesday.

Encinias' skepticism is shared by Tino Gonzalez, another Stockton Democrat leaning toward Clinton for Tuesday's primary election, but who may back Arizona Sen. John McCain in November if he becomes the Republican candidate.

"I don't think either party is going to do anything about it," Gonzalez, a mechanic for the city of Stockton, said of the local foreclosure surge. "They're promising a lot of stuff to get elected but once they get elected they'll forget."

Clinton has proposed a 90-day moratorium on foreclosures and a five-year freeze on interest rates, while rival Sen. Barack Obama of Illinois has proposed a $10 billion foreclosure-prevention fund. McCain has urged more transparent mortgage documents

US, construction spending down 1.1% in December

ANSA) The building industry's spending dropped by 1.1% in December. Analysts were expecting a 0.5% reduction: this is the largest fall in one year. The initial result given for November (up 0.1%) has now been corrected and was equal to down 0.4%.
The contraction has been caused by the negative trend registered in the residential sector and in the public one, which suffered the largest downturn in three years.
The residential construction spending was down 2.8% (after dropping 3% in November). The end of year result for 2007 is equal to an 18% reduction of building expenses, the largest fall since the index was first introduced in 1993.
The performance of the non-residential sector was almost unchanged, while on an annual basis it has dropped by 16%. The public sector registered a 1.5% downturn, the most severe since January 2005. Private non-residential building was up 1.3%.

Russia

CEO raises stake in Russian developer RTM

CEO raises stake in Russian developer RTM (Reuters) – RTM's (RTMC.MM: Quote, Profile, Research) General Director Eduard Vyrypayev has doubled his stake in the company to 71.4 percent, gaining effective control in the Russian real estate firm, RTM said on Friday.

The company said in a statement Vyrypayev had bought 35.7 percent of RTM shares from the firm's board chairman Georgy Trefilov. It did not disclose the value of the deal.

RTM said Trefilov will likely step down as the board chairman and be replaced by an independent director. Vyrypayev said the change in RTM's shareholding structure would not affect the company's governance.

Moscow-based RTM, which focuses on the development of shopping and leisure centres in Russia, is currently developing 56 projects worth an estimated $643 million as of June 30, 2007.

Last year, RTM announced plans to issue new shares worth around $180 million to fund mixed-use projects in the regions.

Vyrypayev said he would use his pre-emptive right to buy into the share offering in proportion to his shareholding.

RTM shares closed down 1.96 percent at 65 roubles ($2.66) on the MICEX exchange before the filing. Some 28.6 percent of RTM's shares are freely floated

Opening of the largest shopping and entertainment center on the Moscow River bank

River Mall shopping and entertainment center with total area of more than 250, 000 square meters is located in South Administrative District, at Avtozavodskaya St, building 16. It unites about 210 shops of the well-known brands. Letters of intention are signed with the largest anchor tenants. Also several large international brands, still not presented in Russia, have demonstrated their interest in the project.
A press conference was organized prior to the presentation with the participation of Boris Shemyakin, President, Kuznetsky Most Development, Dmitry Akulinin, First Vice President, Bank of Moscow (Bank Moskvy), Maxim Gasiev, Regional Director, Retail Property, Colliers International and Vladimir Annenkov, President, Cosmic Bowling.

The shopping center includes hypermarket with total area of more than 10,000 m², DIY, household electronics, sport goods shops, etc. River Mall will offer outstanding facilities for both shopping and leisure. The prominent features of the project include multiplex cinema,the biggest recreation and children's entertainment area with a skating rink. Restaurants, cafes and food court stations will offer visitors different cuisines. 5 restaurants with panoramic views over the Moscow River will serve as another point of difference of the new shopping center. The project also includes a convenient parking with more than 3,000 lots, which is to be the largest within the Third Transport Ring.

The opening of River Mall is scheduled for Q3, 2009.

Kuznetsky Most Development is the developer of the project.

The project has an investment value of about $400 million (approx €250 mln.). The Bank of Moscow takes part in financing the project.

The international consulting company Colliers International is an exclusive marketing and leasing agent. The project concept was developed by Colliers International in cooperation with RTKL, international architectural bureau. The general designer of the project is Sergey Tkachenko's Architectural Workshop.

Maxim Gasiev, Regional Director, Retail Property, Colliers International, notes that, “The implementation of such a project is undoubtedly a serious event in Moscow real estate market. It is an excellent opportunity for retail operators to develop their business. We are going to recruit the best Russian and international retailers to the project. I am sure that professional management, created concept and strong anchor tenants will make the project attractive for consumers.”

China

U.S. interest rate cuts fuel Hong Kong property boom

(Reuters) – When first-time buyer Judy Kwan heard a flat was for sale in a street she admired in Hong Kong’s Wanchai district, she snapped it up within 24 hours without even seeing it, inheriting a tenant she had never met.

Now she wants to buy another as the property market surges from a strong economy and mortgages become cheap as local interest rates drop in line with rates cuts in the United States. Kwan hopes property investment will allow her to retire in five years’ time, aged 50.

“The price was right and the market’s going up,” said Kwan, an accountant, who paid US$282,000 for the boxing ring-sized flat in November.

The apartment’s value has risen 10 percent since then and analysts predict that falling interest rates and rising salaries will propel prices back to a heady 1997 peak.

Hong Kong’s economy is riding on the coat-tails of China’s boom, but its currency peg with the U.S. dollar forces the territory to officially track U.S. interest rate cuts. Local banks have more leeway but have still slashed rates by 100 basis points in the past two weeks as the U.S. federal funds rate has fallen to 3 percent.

So the housing downturn and mortgage crisis that threatens the U.S. economy has indirectly bolstered Hong Kong property.

Monthly transactions for mass market housing in the final three months of last year were on average 63 percent higher than in the rest of 2007, hitting their highest level for a decade.

Real Hong Kong mortgage rates are now negative, below inflation of 3.8 percent and it has become cheaper to buy than rent, analysts say.

ON FIRE

A Merrill Lynch property analyst has predicted a 50 percent rally in property prices in the next two years, prompting several Hong Kong employees at the bank to go on an apartment hunting spree. UBS has the same forecast.

Geoff Lewis, head of investment services at JF Asset Management, said the property might “catch fire”.

The expected boom fed a price rally late last year in Hong Kong’s biggest developers, including Sun Hung Kai Properties, Cheung Kong Holdings and Henderson Land Development but Hong Kong’s property sub-index has see-sawed this year.

Several Hong Kong developers are also expected to get an extra kick from their fast-growing mainland China businesses.

But many analysts say buying an apartment is better than buying shares, as equity markets will probably stay volatile. Others suggest that investors suffering share losses might have less cash to invest in real estate.

New housing supply in the next three years is forecast at half levels seen during the 1990s boom, and interest rates could fall further while inflation heads above 4 percent, economists say.

With no control over monetary policy and inflation on the rise, a 50 percent appreciation in flat prices could pose a risk for an economy that saw property prices nosedive 65 percent when the last property boom burst 10 years ago.

Economists, however, are not worried about an asset price bubble just yet.

They think a strong property market will create wealth, spur consumer spending, and enable the territory to still notch up 4-5 percent economic growth even if the U.S. economy tips into recession and hits exports from one of the world’s busiest ports.

Hong Kong’s gross domestic product (GDP) has grown an average 7 percent annually in the last four years.

“Mass market property prices are still 35-40 percent below their peak in 1997,” said Nicholas Kwan, Asian head of research at Standard Chartered Bank.

“So even if they rise 30-40 percent, prices would only be what they were 10 years ago,” he said. “It’s hard to argue that would be a bubble.”

COMPLACENCY?

Hong Kong home prices slid after the 1997 Asian economic crisis. Home prices were rocked by the bursting of the dot.com bubble and they slumped in a 2003 outbreak of the SARS respiratory disease, before rebounding about 80 percent in the last four years.

Clifford Lam at Credit Suisse believes a steady Hong Kong economy could send home prices up 15-20 percent this year but warns against complacency.

“If the U.S. goes into recession and China’s economic growth slows, Hong Kong businesses, including exporters and high rollers in the financial industry are going to get hit,” Lam said.

“Some of the home buyers that are jumping into the market on the assumption property prices will rise 40-50 percent will be disappointed.”

Prices for luxury property, on a four-year roll, have already returned to 1997 levels, with an Indonesian fund paying $30 million for a house on Hong Kong’s iconic mountain, the Peak, last month—an Asian record on a per-square-foot basis.

With the pegged Hong Kong dollar’s weakening, property has become attractive to foreigners and mainland Chinese.

For Judy Kwan, buying an apartment allows her to diversify out of a Hong Kong stock market that surged 39 percent in 2007, and get a yield on her investment of 5.6 percent a year.

Bank deposit rates range between 0.75 percent and zero.

“I don’t believe in putting money in the bank, inflation is rising,” said Kwan, who has doubled her money on some mutual fund investments over the past four years.

“You need to diversify your investments and rental income will cover my mortgage. It’s a win-win situation.”

China eases loan rules for cheap housing

(Reuters) – China’s central bank ordered commercial lenders on Monday to go easier with developers of affordable housing, its latest directive pointing to a cautious slackening of credit policy.

China has also long tried to boost incentives for firms to build cheaper housing, as the country’s booming real estate market has generated riches for some but put the price of home ownership out of reach for many.

In a statement published on its Web site (www.pbc.gov.cn), the People’s Bank of China said that banks can extend loans for affordable housing if the developers raise 30 percent of the total capital.

That compares with a 35 percent requirement for developers of more expensive homes.

Banks may lend to affordable housing developers at interest rates as low as 90 percent of the benchmark lending rate, which stands at 7.47 percent a year, and for as long as 5 years, up from 3 years before, it said.

The central bank and the country’s banking regulator also expanded the category of those allowed to extend such loans to all financial institutions, such as joint-stock banks, from just state-owned banks.

The PBOC signalled a relaxation of its credit clampdown last Thursday when it called on commercial banks to speed up loans to areas of the country battered by harsh winter weather.

As part of a monetary tightening campaign, China has frozen growth in new loans at last year’s rate and imposed quarterly quotas to enforce lending discipline. Credit growth already slowed sharply in the fourth quarter of 2007.

Housing prices have risen strongly in recent years, with an index for 70 key cities up 10.2 percent in the fourth quarter from a year earlier.

The Communist Party is worried about social unrest with housing beyond the reach of low-wage earners, and it has ordered government agencies to increase the supply of cheap homes through favourable land and lending policies.

United Arab Emirates

Aldar awards $189 mln shopping mall contract

Abu Dhabi's Aldar Properties (ALDR.AD: Quote, Profile, Research) said on Monday it has awarded Arabian Construction Co (ACC) a contract worth 694 million dirhams ($189.1 million) to build a shopping mall in Abu Dhabi.

The contract is part of the 4.2 billion dirham re-development of Abu Dhabi's old souk, Aldar said in a statement.

ACC won a 2.7 billion dirham contract from Aldar in 2007 to build the Central Market Towers, also part of the old souk scheme.

Abu Dhabi's Sorouh says to finalise $1 bln loan soon

(Reuters) – Abu Dhabi's Sorouh Real Estate (SOR.AD: Quote, Profile, Research) expects to finalise $1 billion of planned borrowing to finance new projects "very soon", Chief Executive Mounir Haidar said on Monday.

"We are finalising it very soon," he told reporters in Abu Dhabi, when asked whether the borrowing would come in the form of bonds or synidcated loans.

Haidar said in May that the company was seeking to borrow over $1 billion from local and international banks but said on Monday that the loans would be finalised in 2008.

The value of Sorouh's projects could triple to 120 billion dirhams ($32.68 billion) in the next five years, from about 40 billion dirhams now, he told Reuters at the time.

Abu Dhabi, which has more than 90 percent of the UAE's oil reserves, is keen to wean its economy off energy exports partly by allowing foreigners to invest in property under 99-year leases.

Reuters Summit-Aldar sees intl real estate opportunities

(Reuters) – Aldar Properties Company (ALDR.AD: Quote, Profile, Research) sees uncertain global market conditions generating promising real estate openings for the Abu Dhabi property company, its Chief Financial Officer Shafqat Malik said on Monday.

"The market conditions are such that there are some attractive opportunities," Malik told the Reuters Islamic Finance Summit in Dubai.

With the exception of the U.S., where Aldar does not have the knowledge it thinks it needs to enter the market, the company is seeking talent as well as assets in any acquisition it makes and will not be rushing into any purchases.

Aldar, which is owned by leading Abu Dhabi institutions as well as more than 20,000 other investors there, has developed residential beach resorts and commercial estates in Abu Dhabi.

Malik declined to comment on whether Aldar was looking at the Spanish market, where Investment Corporation of Dubai is considering bidding for Spanish property firm Colonial (COL.MC: Quote, Profile, Research), whose shares have halved in value since mid-December as investors lost confidence in the once booming sector.

But he said Aldar was actively working on two projects in Malaysia and Kazakhstan, which were strategic investments which fitted with government-to-government relationships.

As part of its development plans, Aldar needs to raise between $10 billion and $15 billion over the next 3 to 5 years.

"Our cash requirements over the next three to five years are between $10 to $15 billion, which will be funded through our sales programme … which is one part, and the debt financing," Malik said.

But despite difficult capital market conditions, Aldar would have no problem in accessing cash when it needed to and sales of its properties were buoyant.

"Yes the markets are closed, yes the markets are difficult. However, I strongly believe that if you have got the right credit, the right growth story, there is enough liquidity in the market still to raise the sums we need to raise … I can’t see a problem for Aldar to go into the market and raise the money when we need it,” Malik said.

Aldar would be looking at the most liquid markets for its financing when it needed it and there were signs that the Islamic market was very attractive, Malik said.

Malik said Aldar’s focus on the Abu Dhabi real estate market meant that the group would continue to benefit from double digit rental and capital growth over the next few years.

“Our expectation is that this growth will continue in double digits over the next two years,” Malik said.

This would stabilise to a level of between 7 and 8 percent by 2010 to 2011, in both rental and capital growth.

With the Abu Dhabi economy continuing to benefit from strong oil revenues and a long-term infrastructure and development plan stretching out to 2030, Aldar sees the outlook for continued growth in foreign workers moving there remains strong.

“Our target market is over 70 percent of the people who will be living and working in Abu Dhabi, which is completely opposite to what you have seen in Dubai,” Malik said, adding that Aldar had sold more than 3 billion UAE dirhams of property over the last eight months.

Aldar’s Abu Dhabi land bank was last valued at $10 billion at the end of 2006. Malik said Aldar was conservative in calculating the value of its land bank, but declined to put a revised value on it, something he said Aldar would be doing soon.

Aldar will continue to use both real estate sales and borrowings in order to meet its cash requirements.

At the end of 2007, it had 21 billion UAE dirhams ($5.72 billion) of undrawn facilities and 8 billion UAE dirhams of drawn facilities, Malik said.

Rose Rotana Tower in Dubai Is the worlds tallest building built during 2007

Soaring 333 meters high with 72 stories and 480 suites, Rose Rotana Tower in Dubai leads the list of the 10 tallest buildings completed in 2007, the Council on Tall Buildings and Urban Habitat (CTBUH) reported recently. The tower, which is developed by Bonyan International Investment Group, is also regarded as the world’s tallest single-use hotel building.
Of further relevance in the list is the fact that the Middle East region has displaced China by having the most buildings in the ‘annual tallest constructed’ list. Four out of the tallest ten buildings built during 2007 are located in the UAE and Bahrain, which reflects the massive building boom that continues in the Middle East.

According to a recent CTBUH report: “The New York Times Building in the United States (at 319 meters) and the China International Center Tower (at 269 meters) were second and third respectively. While, the 268 meter Naberezhnaya Tower in Moscow was fourth, the 261 meter Hotel Panorama in Hong Kong was fifth, the 260 meter Dual Tower 1 and 2 in Manama Bahrain were sixth and seventh respectively. Emirates Marina Serviced Apartments and Spa at 254 meter was eight and the 250 meter Park Tower in China was ninth, while the 248 meter Mid Town Tower in Japan came in at tenth place.”

To be eligible for consideration, the buildings should have been completed in 2007 and either be “open for business” or at “least partially occupied”, according to CTBUH Executive Director Antony Wood. The criteria for the tallest buildings in the world includes any building where the majority of the floors are utilized for residential, business or manufacturing purposes.

“When speaking of the tallest buildings in the world, it is important to specify exactly what is being measured. The CTBUH is the authoritative source for information about the tallest buildings in the world, and our list of the tallest buildings - drawn from an extensive database - is based on the height of the building to the structural or architectural top, which includes spires and pinnacles, but does not include antennas, masts or flagpoles,” Wood explained.

“As cities and their skylines continue to evolve, tall buildings can make positive contributions to city life,” argued Wood. “They can affect the image and identity of a city as a whole and serve as beacons of regeneration and stimulate further investment. Therefore, tall building design and construction has a role in addressing the need for both a dense, sustainable city and all-inclusive urban living.”

Contrary to prevalent assumptions just a decade or two ago that the tallest buildings in the world would be located in the United States, CTBUH’s list of the projected twenty buildings set to be the world’s tallest in 2020 shows that nine of the tallest buildings in the world will be in Asia, eight in the Middle East, two in North America and one in Europe.

According to the council, “Al Burj tower in the UAE will lead the list of the 20 tallest buildings in 2020 if built, followed by Mubarak Tower in Kuwait and Burj Dubai in the UAE. The Doha Convention Center in Qatar will come in at tenth and the Pentominium Tower and

Burj Al-Alam in Dubai will be 12th and 13th respectively. Abraj Al-Bait in Saudi Arabia will be 17th and DAMAC Heights in Dubai will be 19th.”

“The most startling feature of the ‘Tallest 20 in 2020’ is that we can see in little more than a decade that the world’s current tallest building – Taipei 101 – actually stands at 14th in the list, while the Petronas Towers, currently 2nd and 3rd, will be 20th. Furthermore iconic buildings such as the Sears Tower and Empire State Building, the latter of which has been in the tallest 10 for over 70 years, are nowhere to be seen,” added Wood.

Following the collapse of the World Trade Center Towers many questioned the purpose of continuing to build tall. With the unprecedented levels of tall building activity today, and the vast quantities of research that has – and continues to be – undertaken in the quest to improve and increase the social, economic and environmental benefits of this typology, tall buildings will continue to boast an integral part of contemporary cityscapes.

“Within the next two years, the Burj Dubai is set to be completed at over 800 metres in height, some 300 meters taller than the world’s current tallest, Taipei 101. With new high-rise proposals continually striving for these massive heights, the dizzying realization of a mile-high tower is perhaps not that far away,” he concluded.

Entitled “Tall & Green: Typology for a Sustainable Urban Future”, the CTBUH 8th Congress will be held in Dubai 3-5 March 2008 and gather more than 600 building professionals from around the world to discuss the new generation of skyscraper form: tall, articulated towers, mega-projects and ‘new’ cities in future urban developments. The congress will also discuss the design of tall buildings and technologies concerned with energy use reduction and energy generation.

Australia

Australian price pressures put onus on rates

(Reuters) – Australia’s inflation headache worsened in January while house prices boasted double-digit gains in 2007, figures out on Monday showed, adding to expectations of a restraining rise in interest rates this week.

The data came just a day before the Reserve Bank of Australia (RBA) holds it first policy meeting of the year and investors had already priced in a 25-basis-point rise in the cash rate to an 11-year peak of 7.0 percent. That would come on top of two hikes last year, which have done little to cool the red-hot economy.

“A further interest rate rise tomorrow is highly likely and, unless inflation pressures ease in the short term, further hikes cannot be ruled out in 2008,” said Joshua Williamson, a senior economist at TD Securities.

The central bank will announce its decision at 2:30 p.m. (0330 GMT) on Tuesday.

The Australian dollar firmed to near three-month highs at 90.42 U.S. cents on Monday, while bond futures were depressed by the prospect of domestic borrowing costs rising even as the Federal Reserve is slashing U.S. rates.

The diverging outlook for the two economies was highlighted by the strength of Australian house prices, which rose 3.2 percent in the fourth quarter of last year. For 2007 as a whole, prices were up 12.3 percent, with a couple of cities boasting gains of over 20 percent.

In contrast, the latest S&P/Case-Shiller measure of U.S. home prices showed a record 8.4 percent fall in the year to November.

“Certainly a much different picture for our housing market compared with the U.S. housing market,” said Michael Blythe, chief economist at Commonwealth Bank of Australia.

“It fits in with that idea that the current level of interest rates is not particularly restrictive and more work is required to curb inflation,” added Blythe.

INFLATION BREWING

Australian Treasurer Wayne Swan was blunt in acknowledging the problem. “The inflation genie is out of the bottle,” Swan told reporters in Canberra. “We’ve got an inflation problem to deal with, and deal with it we will.” The extent of the task was illustrated by a private measure of inflation released on Monday which showed annual inflation ran at a 20-month high in January.

The TD Securities-Melbourne Institute monthly inflation gauge rose 3.9 percent in January from a year earlier, as households paid more for fuel, utilities, financial services and education.

That was well above the RBA’s 2 to 3 percent target band and follows the official reading on underlying inflation, which ran at a 16-year high of 3.6 percent in the year to December.

“The high results show that inflation remains problematic and that the RBA will need to tighten monetary policy further,” said Williamson at TD.

Other figures out on Monday showed Australia’s trade deficit narrowed as expected to A$1.94 billion ($1.8 billion) in December from A$2.16 billion in November.

Imports were flat in the month, though still near record levels as the strength of domestic demand keeps sucking in everything from cars to computers to capital equipment.

Indeed, imports outstripped exports for the fourth quarter as a whole, suggesting trade had subtracted from gross domestic product (GDP) in an otherwise strong quarter. Still, exports rose 1.3 percent in December and hopes remain high for an improved performance this year.

“The prospect over the course of this year is for some pretty substantial volume increases in exports as some of the capital investment in the mining sector comes on-stream,” said Stephen Halmarick, co-head of market economics at Citi.

Australia house prices rise briskly in 2007

(Reuters) – House prices across Australia climbed at a double-digit pace in the year to December, underlining both the strength of the domestic economy and the need for a further cooling rise in interest rates.

Other data on Monday showed the country’s trade deficit narrowed much as expected in December as exports held up well.

KEY POINTS:

Q4 house prices +3.2 pct qtr/qtr, s/adj (poll +3.0 pct)
Q4 house prices +12.3 pct yr/yr, s/adj
Dec trade deficit A$1.936 bln ($1.76 bln), s/adj (poll A$2.0 bln deficit)
Dec exports +1 pct, imports flat
COMMENTARY:

JOSHUA WILLIAMSON, SENIOR STRATEGIST, TD SECURITIES

“The trade data was pretty much in line with expectations, but the surprise was that it came from such a strong increase in rural exports.

“The good news is that the farm sector looks to be recovering and if we keep getting good rain patterns we could see that add significantly to GDP in 2008.

“(The house price data) just shows the strength that exists in the household sector. Established house prices wouldn’t be going higher if there wasn’t confidence in the economy and if there wasn’t a belief in the economy remaining strong.

“It just shows you how opposite we are to the U.S. situation when it comes to the strength of our housing market. It tends to suggest other areas of the economy will remain upbeat as well.”

BRIAN REDICAN, SENIOR ECONOMIST, MACQUARIE

“While people are talking about a potential slowing in the domestic economy, the strength of the housing market just shows how supportive the fundamentals are right now.

“The RBA has been raising rates trying to keep a lid on things but house prices keep bubbling higher. Even Sydney showed some strength this time after a couple of years of weakness. Figures like this will only make the RBA more confident that the economy can bear a rate rise.

“The trade numbers were no surprise. The weakness of exports is still there while the high level of imports highlights the strength of domestic demand.”

SUE TRINH, SENIOR CURRENCY STRATEGIST, RBC

“The December trade balance was slightly better than expected, and we also saw the downward revision to the November deficit as well.

"The house price index was stronger than expected year on year. All very positive for the Aussie dollar. And underscoring the strong likelihood that the RBA (Reserve Bank of Australia) will be hiking rates tomorrow, we saw the Aussie pop a little bit higher.

MICHAEL BLYTHE, CHIEF ECONOMIST, CBA

"Certainly a much different picture for our housing market compared with the U.S. housing market, which of course is the root cause of a lot of what's going on at the moment. It's an indication of how important demographic drivers are in driving housing markets overall.

"It certainly won't change the odds on a rate rise tomorrow. It fits in with that idea that the current level of interest rates is not particularly restrictive and more work required.

"On the trade, it's still a big number. It's very volatile from month to month at the moment. We are yet to see a convincing turnaround in the trade numbers."

STEPHEN HALMARICK, CO-HEAD MARKET ECONOMICS, CITI

"The annual rate for housing accelerating I suspect is not consistent across the country. It probably indicates the current level of interest rates is not having too much of a negative impact on the housing market overall.

"Trade balance is a small improvement on the month, but it was a good pick up in export growth. I think the prospect over the course of this year is for some pretty substantial volume increases in exports, as some of the capital investment in the mining sector comes on-stream.

"I don't think it changes the view for the rate review tomorrow. We're going for a 25-point rate hike tomorrow, and I think its way too early to say it'll be the last one."

MARKET REACTION:

- The Australian dollar held firm around 90.37 U.S. cents after the numbers. Bond and bill futures remained sharply lower, with the market pricing in an 84 percent chance of a hike in interest rates at the Reserve Bank of Australia's board meeting on Tuesday.

LINKS:

- The Australian Bureau of Statistics Web site is: www.abs.gov.au

For all Australian news and data, 3000 Xtra users can click on

BACKGROUND:

- Analysts had expected house prices to have risen by between 2 and 6 percent in the fourth quarter of last year. The data measures the weighted average price of houses in Australia's major cities.

- Low unemployment, rising wages, accelerating population growth and record immigration are all supporting the housing market, even though housing affordability is near all-time lows.

- Analysts had assumed the trade deficit would narrow as figures already released suggested imports dipped in December while the price of Australia's commodity exports firmed.

- The deficit has stayed disappointingly wide despite a boom in demand for Australia's resource exports, partly due to supply bottlenecks at home.

- Strong domestic demand in Australia has also sucked in imports such as cars and electronics, made all the cheaper by a high Australian dollar.

Australia's Valad to announce strategic alliance

(Reuters) – Australian property firm Valad Property Group (VPG.AX: Quote, Profile, Research) said on Monday it may announce a strategic alliance, and requested a halt to the trading of its shares.

Valad said the proposed terms of the alliance will not involve an offer for the company, but may involve an issue of securities by Valad.

It said it expects to make an announcement before the start of trading on Tuesday. Valad shares rose as much as 14 percent on Friday on speculation it could be a takeover target.

Its share price had slumped in the fallout across the property sector from the near-collapse of shopping mall owner Centro Properties Group (CNP.AX: Quote, Profile, Research), whose shares dived 80 percent after it said it was having trouble extending a tight refinancing deadline for A$3.9 billion (A$3.5 billion) in debt.

Analysts have said that Australia's property sector is ripe for consolidation as investors shy away given the troubles several companies have faced and the possibility of falling property prices.

As well as mergers between domestic firms, some analysts expect a trend of overseas sovereign funds taking stakes in Australian property to pick up.

Valad shares closed at A$1.22 on Friday, down from around A$1.60 before Centro's announcement in mid-December.

Valad said in December it had refinanced A$235 million of short-term debt due by the end of December, and it has another A$374 million of debt due by June 30.

Last June, Valad extended its portfolio reach into Europe with the A$2 billion acquisition of UK real estate firm Scarborough.

European

Solid increase in tender prices regardless of market volatility

Tender prices are set to show a solid increase, according to the latest Economics Survey by EC Harris. With workload levels still high, shortages of skilled labor, and cost inflation in key materials, building tender prices are forecast to increase by 4.8% over the year, and 4.7% the following year.
In London, although there has been a slowdown in commercial offices, the residential sector appears to be buoyant, with full order books. With orders for the Olympics schemes starting to build, it continues to be a tough time to find contractors. Tender prices are set to rise by 6.5% over each of the next two years as the level of workload continues to lead to high levels of construction inflation in London. Longer term tender prices in London are forecast to rise by 6.5% to the end of 2010, and reduce only slowly thereafter.

Commenting on the figures, Paul Moore, Head of Cost Research at EC Harris, said: "The banking issues in the USA and the latest 'credit crunch' means that although base rates were cut in December, the cost and availability of funding to financial institutions has become more constricted. As a result more speculative developments are being re-assessed. A good number of major schemes have however already secured funding, and with many contractors having full order books for the next 2-3 years, tenders are set to plough ahead."

A dramatic fall in construction new orders, 13% in 3rd quarter of 2007, has come as a blow to the industry. The private commercial sector, with the unsettled state of the financial markets and banking sector, saw the biggest drop of 18%.

One of the consequences of this appears to be a reduction of new commercial enquiries, the perceived cooling of tenant demand and the fact that funding availability has slowed. Banks and financial institutions are being more prudent about committing to capital expenditure. Also, with the increased likelihood of mergers between banks, the banks' current spending plans are being restricted.

AMB Fokker Logistics Center 4A contributed to AMB Europe Fund I

AMB Property Corporation, a leading global developer and owner of industrial real estate, announced that its affiliate, AMB Property Europe, B.V., has contributed the AMB Fokker Logistics Center 4A to AMB Europe Fund I, FCP-FIS. The 10,300 m² facility is fully leased to Schenker, one of the leading international providers of integrated logistics services.
"The location and quality of this facility attracts customers, benefiting us with strong occupancy rates," said Arthur Tielens, AMB's senior vice president, fund manager, Europe. The facility is proximate to Amsterdam Airport Schiphol's southeast cargo terminals, the airport's main terminal and the newest front line cargo operations. The location also provides excellent access to Amsterdam City Center and the A4 and A9 highway routes to Brussels, Paris, Rotterdam, and Utrecht.

As of 31 December 2007, AMB's Europe portfolio consisted of more than 1 million square meters of logistics and distribution properties, both operating and under development—in the countries Belgium, France, Germany, Italy, the Netherlands, Spain and the UK, serving customers in the air express, logistics and freight forwarding industries.

AMB Property Corporation is a leading global developer and owner of industrial real estate, focused on major hub and gateway distribution markets throughout North America, Europe and Asia. As of December 31, 2007, AMB owned, or had investments in, on a consolidated basis or through unconsolidated joint ventures, properties and development projects expected to total approximately 147.7 million ft² (13.7 million m²) in 45 markets within 14 countries. AMB invests in properties located predominantly in the infill submarkets of its targeted markets. The company's portfolio is comprised of High Throughput Distribution facilities-industrial properties built for speed and located near airports, seaports and ground transportation systems.

Asian

Malaysia's UBG to buy stakes in builders

(Reuters) – Malaysia's UBG Bhd (UBGB.KL: Quote, Profile, Research) agreed to buy stakes in two local builders for 457 million ringgit ($141.3 million) and plans to buy up the remaining shares.

UBG, formerly known as Utama Banking Group, said it would buy 49.2 percent of Putrajaya Perdana Bhd (PUTA.KL: Quote, Profile, Research) and 37.6 percent of Loh & Loh Corp Bhd (LOHC.KL: Quote, Profile, Research).

UBG also plans to buy the remaining shares in Putrajaya Perdana and Loh & Loh at 4.85 ringgit each.

Shares of Putrajaya Perdana last traded at 4.24 ringgit and Loh & Loh at 4.34 ringgit. UBG is controlled by the family of the chief minister of eastern Sarawak state.

It had cash of 2.2 billion ringgit as at end-September 2007. In May last year, it was given eight months to find a business or be delisted.

UBG also said it would buy two road builders from its controlling shareholder, Cahya Mata Sarawak Bhd (CMSM.KL: Quote, Profile, Research), for 135 million ringgit.

Trading in the shares of UBG, Putrajaya Perdana and Loh & Loh has been suspended until Monday for the announcement.

Singapore GIC prepared to adjust UBS deal terms -FT

(Reuters) – The Government of Singapore Investment Corp (GIC) is prepared to adjust the terms of its deal to buy 9 percent of UBS AG (UBSN.VX: Quote, Profile, Research) to help the Swiss bank win shareholder approval, its deputy chairman was quoted as saying on Monday.

UBS, Europe's hardest-hit bank from the credit crisis, received a lifeline of 13 billion Swiss Francs ($11.94 billion) from GIC and an undisclosed Middle East investor in December to shore up capital hurt by hefty subprime housing losses.

Under the deal, UBS will pay GIC - which will invest 11 billion Swiss Francs - and the Middle East investor a coupon of 9 percent on securities that can be converted into shares within approximately two years of the issue of the notes.

However, the terms of the deal have drawn ire from some smaller shareholders who said it is unfair that they cannot participate in the mandatory convertible bond, with some calling for a rejection of the investment from GIC and the Middle East investor.

"We would be prepared to adjust the terms," Tan said, according to the transcript of his interview with the Financial Times in Davos. "We would be prepared to see how we could help them. But we have signed an agreement with them so that has to be honoured."

UBS has scheduled an Extraordinary General Meeting for February 27, when it will seek approval for the investment.

Tan also said that greater scrutiny of sovereign wealth funds will force the GIC, which manages over $100 billion, to become more transparent and follow a code of conduct for sovereign funds, although he said this should be flexible and voluntary.

"We will disclose more," he was quoted as saying. "As to what we would disclose, that remains for further discussion. It's up to the government."

Depressed rates buoy Singapore property, stocks

(Reuters) – Singapore bond yields, already below inflation, are likely to slip further, boosting stocks and property despite an uncertain economic outlook.

The city-state's 10-year bond yields have slipped in the past months to 2.2 percent, half the inflation rate, which Prime Minister Lee Hsien Loong said may average above 5 percent in 2008. Bond yields usually climb when inflation is rising to compensate domestic investors for higher consumer prices, but economists warn they should not count on that this time.

They say the 10-year yield could fall to a low of 2 percent and will probably stay below 3 percent this year.

"The negative interest rate for Singapore is likely to support continued interest in residential property," UBS analyst Regina Lim said in a report on Friday.

UBS expects rents to rise 5-20 percent this year while property prices will remain firm.

Economists say expectations that monetary authorities will steer the Singapore dollar higher to quell inflation have boosted foreign capital inflows into the city-state, adding to the buying pressure on the Singapore dollar.

This in turn has prompted the monetary authorities to buy U.S. dollars to prevent too rapid gains of the local currency and release more funds into the banking system, depressing market lending rates at a time when inflation is at record highs.

Leong Sze Hian, president of the Society of Financial Services Professionals in Singapore, recommended investors buy stocks or overseas bonds lest “your money keeps getting smaller and smaller because of inflation”.

Annual inflation rose to a 25-year high of 4.4 percent in December from around 0.5 percent at the start of 2007 while lending rates tumbled.

The 10-year bond yield has fallen to 2003 levels and the three-month Singapore Interbank Offered Rate (SIBOR) - a benchmark for mortgage loans - hit a three-year low of about 1.7 percent.

Analysts say the Monetary Authority of Singapore, the city-state’s central bank, is unable to steer market lending rates and liquidity because it conducts its monetary policy through the exchange rate rather than by setting interest rates.

Singapore banks, flush with cash, pay just 0.25 percent on savings deposits and 0.82 percent on one-year fixed deposits, according to MAS data.

“You have got this combination of strong external inflation impulses from food, and to some extent oil. You have also got this environment of low interest rates which the Fed is creating,” said Giles Keating, the head of research for private banking and asset management at Credit Suisse.

“It is a classic monetary policy dilemma,” he said, adding that his bank expects Singapore’s property market to remain “very buoyant”.

Economists said the lower SIBOR rates will feed into cheaper mortgage rates that will in turn boost investor’s appetite for real estate.

“When interest rates get so low…people start to go long properties again by funding cheaply from the markets,” said Joseph Tan, an economist at Fortis Bank.

Prices in Singapore’s red-hot property market have climbed since mid-2006 to their highest level in more than 10 years, but are still below peaks seen before the Asian financial crisis.

India

Puravankara plans stake sale in projects - paper

(Reuters) – Puravankara Projects Ltd (PPRO.BO: Quote, Profile, Research) is in advanced talks to raise 20 billion rupees by selling 49 percent of five real estate projects to funds and private equity firms, the Economic Times reported on Monday citing sources.

THe company is in talks with Blackstone (BX.N: Quote, Profile, Research), Goldman Sachs (GS.N: Quote, Profile, Research), Lehman Brother (LEH.N: Quote, Profile, Research) and American International Group (AIG.N: Quote, Profile, Research) to sell stakes in projects spread across Bangalore, Chennai, Kochi and Hyderabad, the paper said.

“Talks are in the final stage,” the paper quoted a source close to the deal as saying. It added Ravi Ramu, chief executive of Puravankara, declined comment.

Puravankara officials could not be reached immediately for comment.

The realty firm raised 8.6 billion rupees through an initial public offer in mid-2007.

India's Parsvnath says ties up with ITC for hotels

(Reuters) – Indian real estate firm Parsvnath Developers (PARV.BO: Quote, Profile, Research) said on Monday its unit Parsvnath Hotels had signed a deal with a unit of ITC Ltd (ITC.BO: Quote, Profile, Research) to develop 50 hotels across India in the next three to five years with an initial investment of 25 billion rupees ($635 million).

CapitaLand expands in India

(ANSA) CapitaLand has started to invest in India by way of two separate joint ventures with Advance India Projects Limited (AIPL) and

Prestige Group to develop 15 retail projects in 14 cities in the country. The portfolio is worth a total of 952 million euros and will have a surface area of 1 million square metres.

AIRPL is a company based in New Delhi that is very present in northern India, while Prestige is a group based in Bangalore that targets southern India. The first joint venture includes eight projects, the second one seven projects.

Both deals will help CapitaLand to strengthen its role throughout India and will help the company to assume a key role in the Asian retail market.

"Thanks to these collaborations and with the USD 600 million fund we set up to invest in India, CapitaLand will replicate the success achieved in the Chinese retail market", said the CEO of CapitaLand, Irfan Razack. He also highlighted how: "Like in China, also these projects are located in strategic residential areas that have huge populations".

South American

Credit boom turns Peru into construction zone

(Reuters) – A surging supply of credit at low interest rates has turned Peru's capital into a dusty construction zone, with real estate expanding faster than the Andean country's traditional economic engine – mining.

Helping to fuel the real estate boom are bank deposits that have swollen after six-years of economic growth, making credit widely available. Deposits jumped 32 percent last year to $25 billion.

The rapid expansion of credit at low interest rates, normally lent for 20 years but sometimes for up to 30 years, has distorted the housing market in ways normally unheard of in other big cities around the world.

Housing rents only stabilized recently after falling for the last few years, sometimes by as much as half, as people seized on the availability of loans to buy new homes they previously could not afford in the capital, Lima, home to about eight million people.

"Demand is much more focused on buying than renting," said Carlos Alberto Zimmermann, head of Aspai, Peru's association of real estate agents. He said the market should grow fast for at least two more years, unlike the troubled U.S. housing sector.

Though housing prices in Lima have risen, they are affordable compared with other big cities. Half of Lima's houses up for sale are priced between between US$30,000 and $80,000, according to the Capeco builders association.

The construction sector grew more than 15 percent in 2007, helping lead economic growth estimated of 8.3 percent for a second straight year.

But the mining industry still provides the foundation that has driven the country's economic growth over the past six years, even though mining has grown by only 2.0 in the past year.

The credit boom has also allowed Peru to build more housing for the poor and lower-middle class, a trend that is chipping away at a "housing deficit" that has forced millions of families to live in substandard housing.

MiVivienda, a government agency, has created an emerging mortgage market for lower-income home buyers by making loans of $10,000 or $20,000 that are administered by banks.

"We're encouraging the lower and middle-classes to buy houses because banks don't know the market, so we lend through banks so they can learn the sector and then make their own loans," said Rudy Wong Barrantes, MiVivienda's director.

More investment is expected to pour into the real estate sector if Peru wins investment-grade ratings this year from credit rating agencies, or signs a free-trade deal with China after reaching one with the United States.

The property market is so buoyant that some optimistic builders are building new offices without bothering to pre-lease them.

THE RISK OF OVERSUPPLY

In the office sector, rents of prime office buildings rose about 21 percent in 2007, according to the Apoyo consultancy.

Vacancy rates for high-end office buildings have fallen from more than 20 percent in 2001, just as Peru's economy started to boom, to around 3.0 percent, Apoyo said.

The tight market for offices is encouraging new construction, and supply should rise 90 percent over the next three years. But there may be too much space available too late, or a slight bubble, according to Colliers International.

“Things are a lot easier to finance now then they were a few years ago,” Sandro Vidal, research analyst at Colliers in Lima. “But there is a risk of oversupply starting in 2010.”